

**LENOX TOWNSHIP**  
**Macomb County, Michigan**

**ANNUAL FINANCIAL STATEMENTS**  
**with Supplementary Information**

**FOR THE YEAR ENDED**  
**JUNE 30, 2008**



**LENOX TOWNSHIP, MICHIGAN**  
**Macomb County, Michigan**

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**JUNE 30, 2008**

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## INDEPENDENT AUDITOR'S REPORT

To the Supervisor and  
Members of the Township Board  
Lenox Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Lenox Township, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lenox Township's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the discretely presented component unit's financial statements of the Lenox Township Library. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion on the basic financial statements insofar as it relates to the Lenox Township Library, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Lenox Township, Michigan, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2008 on our consideration of the Lenox Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8, and schedules of budgetary comparisons on pages 36 through 38 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lenox Township's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants

December 11, 2008

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Lenox Township's 2008 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information, which presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

***Government-wide Financial Statements***

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, defined as the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into two categories:

**Governmental activities** – most of the Township's basic services are included here, such as the police, fire, public works, and general administration. Property taxes, state-shared revenue, and charges for services provide most of the funding.

**Business-type activities** – the Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system is treated as a business-type activity.

***Fund Financial Statements***

The fund financial statements provide more detailed information about the Township's most significant funds, not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

**Governmental funds** - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

**Proprietary funds** - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

**Fiduciary Funds** - The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of assets and liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

## **FINANCIAL OVERVIEW (Government-wide financial analysis)**

The Township has combined total net assets of \$28.6 million. This is an increase of \$5.0 million over 2007. Government-type activities comprise \$22.0 million, and business-type activities make up \$6.6 million of the total net assets. In a condensed format, the table below shows net assets as of June 30, 2008 and 2007.

### **In Thousands**

	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
<b>Assets</b>				
Current assets	\$ 10,676	\$ 11,637	\$ 74	\$ 210
Restricted assets	-	-	5,789	12,556
Other assets	2,363	1,609	( 1,769)	( 1,166)
Capital assets	9,344	6,433	23,332	13,262
Total assets	<u>22,383</u>	<u>19,679</u>	<u>27,426</u>	<u>24,862</u>
<b>Liabilities</b>				
Current liabilities	302	722	412	2,384
Long-term liabilities	9	-	20,462	17,874
Total liabilities	<u>311</u>	<u>722</u>	<u>20,874</u>	<u>20,258</u>
<b>Net Assets</b>				
Invested in capital assets –				
Net of related debt	9,344	6,433	5,859	3,966
Restricted	1,719	913	801	751
Unrestricted	<u>11,009</u>	<u>11,611</u>	<u>( 108)</u>	<u>( 113)</u>
Total net assets	<u>\$ 22,072</u>	<u>\$ 18,957</u>	<u>\$ 6,552</u>	<u>\$ 4,604</u>

The Township governmental activities experienced a net change in assets of \$3,115,351. The main reason is a result of receiving \$3,279,809 of landfill tipping fees from Pine Tree Acres. The business-type activities experienced a net change in assets of \$1,948,005 mostly due to a capital contribution of \$2,554,118.

The following table shows the changes in net assets for 2008 and 2007:

**In Thousands**

	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
<b>Revenue</b>				
Program revenue:				
Charges for services	\$ 152	\$ 278	\$ 722	\$ 825
Operating grants and contributions	2	2	-	-
Capital grants and contributions	-	100	2,554	1,423
General revenue:				
Property taxes	1,140	1,037	-	-
State-shared revenue	327	317	-	-
Unrestricted investment earnings	385	316	293	202
Franchise fees and other	34	43	-	-
Landfill tipping fees	3,280	3,558	-	-
Gain on sale/retirement of assets	-	1	-	-
Total Revenue	<u>5,320</u>	<u>5,652</u>	<u>3,569</u>	<u>2,450</u>
<b>Program Expenses</b>				
General government	807	727	-	-
Public safety	794	972	-	-
Public works	281	261	-	-
Health and welfare	189	247	-	-
Community and Economic Development	44	-	-	-
Recreation and cultural	90	50	-	-
Water and sewer	-	-	1,621	908
Total Program Expenses	<u>2,205</u>	<u>2,257</u>	<u>1,621</u>	<u>908</u>
<b>Changes in net assets before special items</b>	3,115	3,395	1,948	1,542
Special items	-	-	-	(100)
<b>Changes in net assets</b>	<u>\$ 3,115</u>	<u>\$ 3,395</u>	<u>\$ 1,948</u>	<u>\$ 1,442</u>

***Governmental Activities***

Revenues for governmental activities totaled \$5.3 million in 2008. Of this amount \$3.3 million was received for landfill tipping fees. The next largest revenue sources were from property tax collections of \$1.1 million, which was a 9.9% increase from the prior year, and investment earnings of \$.4 million.

***Business-type Activities***

The Township has one business-type activity, the water and sewer operations. Total revenues, including capital contributions of \$2.6 million, were \$3.5 million and expenses were \$1.6 million for a change in net assets of \$1.9 million.

The water and sewer operation consists of the following: water is provided to the Township residents via the Detroit Water and Sewer Department, and sewage treatment is provided by contracts with the Detroit Water and Sewer Department and Macomb County.

## **FINANCIAL ANALYSIS OF MAJOR TOWNSHIP FUNDS AND BUDGETS**

### ***Governmental Funds***

The General Fund ended 2008 with a fund balance of \$2.3 million, with \$2 million reserved for advances to other funds and prepaid expenses and the remaining balance unreserved and undesignated.

The Township's other major governmental funds had the following revenues over (under) expenditures as follows:

- The Fire Fund had revenues over expenditures of \$288,034. The original budget estimated \$194,800 and the final budget \$186,670.
- The PTA (Pine Tree Acres) Fund had revenues under expenditures of \$16,193. The original and final budgets estimated \$761,942 revenues over expenditures.

The budgets were amended throughout the year as deemed necessary, primarily to prevent over expenditure. The following significant amendments were made during the year:

- Licenses and permits revenue decreased from \$210,000 in the original budget to \$59,075 in the final budget to reflect the recording of a couple of large commercial permits recognized during June 30, 2007 instead of the following year as originally budgeted.
- Federal/State intergovernmental revenue decreased from \$325,000 in the original budget to \$170,783 in the final budget due to unrecorded state shared revenue at the time amendments were made.

Significant variations of final budget to actual amounts are as follows:

- The Federal/State intergovernmental revenue in the general fund exceeded the amount budgeted by \$156,479 primarily due to the recording of the state shared revenue due at year-end.
- Investment return of the PTA (Pine Tree Acres) fund was not included in the budget, and actual investment return was \$296,337.
- The PTA fund other revenue includes the tipping fees, which were less than anticipated by \$199,133.
- General Government expenditures of the PTA fund exceeded the budgeted amount by \$1,350,182 due to the construction of the new township hall.
- The Public Works budget in the PTA fund includes budgeted amounts for the repayment of the water/sewer projects or debt payments, which were not transferred during the year, creating a positive variance with the budget of \$506,228.

### ***Proprietary Fund***

As indicated earlier the Township only has one proprietary fund, the water and sewer operation. Total revenues including capital contributions of \$2,554,118 were \$3,569,496 and expenses were \$1,621,491 for an increase in net assets of \$1,948,005.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *Capital Assets*

The Township had \$32.7 million dollars invested in capital assets for its government and business-type activities (net of accumulated depreciation) as of June 30, 2008, excluding component units. The investment in capital assets includes land, land improvements, buildings, machinery and equipment, vehicles and water and sewer lines.

During the year the Township added \$13,587,667 of capital assets, \$3,180,250 in the governmental activities and \$10,407,417 in the business-type activities.

Of the \$3,180,250 purchased in the government-type activities \$2,870,105 was for construction on the Township Hall. The \$10,407,417 addition in the business-type activities was for construction of water and sewer mains along Gratiot and 26 Mile roads.

	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
Land	\$ 1,241,173	\$ 1,241,173	\$ -	\$ -
Land improvements	1,494,092	1,469,764	-	-
Building	6,949,315	1,553,120	190,139	190,139
Equipment	846,670	654,966	107,999	117,690
Vehicles	991,734	991,734	-	-
Water and sewer	-	-	24,823,187	5,860,365
Construction in progress	-	2,519,158	125,678	9,076,363
	11,522,984	8,429,915	25,247,003	15,244,557
Accumulated depreciation	( 2,178,790)	( 1,996,861)	( 1,915,369)	( 1,587,978)
	<u>\$ 9,344,194</u>	<u>\$ 6,433,054</u>	<u>\$ 23,331,634</u>	<u>\$ 13,656,579</u>

The Township is currently undergoing improvements to the North Gratiot/New Haven Sanitary Sewer.

Additional information on the Township's capital assets can be found in Note 4.

### *Long-Term Debt*

At June 30, 2008 the Township's business-type activities had debt outstanding of \$20,461,931, an increase of \$2,587,844 from the prior year. This debt is related to the construction of the water supply system and the North Gratiot/New Haven Sanitary Sewers.

Long-term debt in the governmental activities of \$8,893 at June 30, 2008 represents accumulated compensated absences.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The State Shared Revenue levels are undeterminable at this time. The new Township building was opened to the public on May 19, 2008. No borrowed funds were required for this construction. The Water Supply System #14 bonds were paid off in full in October 2008, one year in advance of the scheduled payments, resulting in substantial savings. The North Gratiot Interceptor and the Lenox Local Sewer Projects have been completed. These projects represent the only debt that the Township has at this time.

## **CONTACTING THE TOWNSHIP**

This financial report is designed to provide a general overview of the Township's finances to our residents and other interested parties in understanding the Township's financial condition. If you have questions about this report or need additional financial information, please contact the Township at (586) 727-2085.

Separately issued financial statements of the Lenox Township Library, a component unit of the Township, may be obtained by contacting the Library at 58976 Main Street, New Haven, Michigan 48048.

## **BASIC FINANCIAL STATEMENTS**

**LENOX TOWNSHIP**  
**Macomb County, Michigan**

**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Library
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 8,733,738	\$ 104,269	\$ 8,838,007	\$ 896,730
Investments	1,454,139	-	1,454,139	112,281
Receivables	69,749	112,262	182,011	10,057
Due from other governmental units	131,437	-	131,437	2,768
Internal Balances	153,743	( 153,743)	-	-
Prepaid expenses	133,478	11,197	144,675	4,785
Advance to (from) other funds	1,932,470	( 1,932,470)	-	-
Investment in joint venture	429,929	-	429,929	-
Restricted Assets -				
Deposits with County	-	5,723,469	5,723,469	-
Accounts receivable	-	65,172	65,172	-
Deferred Charges	-	163,837	163,837	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	1,241,173	125,678	1,366,851	-
Assets being depreciated	8,103,021	23,205,956	31,308,977	192,479
Total Assets	<u>22,382,877</u>	<u>27,425,627</u>	<u>49,808,504</u>	<u>1,219,100</u>
<b>LIABILITIES:</b>				
Payables and accrued liabilities	288,366	182,222	470,588	6,562
Unearned revenue	13,242	-	13,242	1,061
Liabilities payable from restricted assets	-	229,305	229,305	-
Non-current liabilities				
Due within one year	8,893	545,739	554,632	-
Due in more than one year	-	19,916,192	19,916,192	-
Total Liabilities	<u>310,501</u>	<u>20,873,458</u>	<u>21,183,959</u>	<u>7,623</u>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related liabilities	9,344,194	5,859,368	15,203,562	192,479
Net assets				
Restricted -				
Acquisition/construction of capital assets	-	674,742	674,742	-
Debt	35,586	126,296	161,882	-
Fire Operations	1,155,715	-	1,155,715	-
Road Activity	514,090	-	514,090	-
Other	13,463	-	13,463	-
Unrestricted	<u>11,009,328</u>	<u>( 108,237)</u>	<u>10,901,091</u>	<u>1,018,998</u>
Total Net Assets	<u>\$ 22,072,376</u>	<u>\$ 6,552,169</u>	<u>\$ 28,624,545</u>	<u>\$ 1,211,477</u>

The accompanying notes are an integral part of these financial statements.

**LENOX TOWNSHIP**  
**Macomb County, Michigan**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General Government	\$ 807,105	\$ 34,006	\$ -	\$ -
Public Safety	793,818	117,318	2,468	-
Public Works	280,499	-	-	-
Health and Welfare	189,012	-	-	-
Community and Economic Development	43,602	-	-	-
Recreation and Culture	90,672	525	-	-
Total governmental activities	<u>2,204,708</u>	<u>151,849</u>	<u>2,468</u>	<u>-</u>
Business type activities:				
Water Supply and Sewage Disposal System	<u>1,621,491</u>	<u>722,547</u>	<u>-</u>	<u>2,554,118</u>
Total Primary Government	<u>\$ 3,826,199</u>	<u>\$ 874,396</u>	<u>\$ 2,468</u>	<u>\$ 2,554,118</u>
<b>Component Unit</b>				
Township Library	<u>\$ 254,530</u>	<u>\$ 12,758</u>	<u>\$ 5,130</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Grants and contribution not				
restricted to specific programs				
- State Shared revenue				
- Franchise fees				
- Pine Tree Acres - excess tipping				
Unrestricted investment income				
Total general revenues, transfers, and special items				
Change in net assets				
Net assets at beginning of year				
Prior period adjustment				
Net assets at beginning of year, restated				
Net assets at end of year				

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets			
Governmental Activities	Primary Government		Component Units
	Business Type Activities	Total	Library
\$( 773,099)	\$ -	\$( 773,099)	\$ -
( 674,032)	-	( 674,032)	-
( 280,499)	-	( 280,499)	-
( 189,012)	-	( 189,012)	-
( 43,602)	-	( 43,602)	-
( 90,147)	-	( 90,147)	-
( 2,050,391)	-	( 2,050,391)	-
-	1,655,174	1,655,174	-
( 2,050,391)	1,655,174	( 395,217)	-
-	-	-	( 236,642)
1,139,586	-	1,139,586	397,114
327,262	-	327,262	16,764
33,688	-	33,688	-
3,279,809	-	3,279,809	-
385,397	292,831	678,228	29,430
5,165,742	292,831	5,458,573	443,308
3,115,351	1,948,005	5,063,356	206,666
18,564,950	5,874,170	24,439,120	1,004,811
392,075	( 1,270,006)	( 877,931)	-
18,957,025	4,604,164	23,561,189	1,004,811
<u>\$ 22,072,376</u>	<u>\$ 6,552,169</u>	<u>\$ 28,624,545</u>	<u>\$ 1,211,477</u>

**LENOX TOWNSHIP**  
**Macomb County, Michigan**

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

	General	Fire Fund	PTA Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,486,353	\$ 1,161,404	\$ 5,566,302	\$ 519,679	\$ 8,733,738
Investments	-	-	1,418,553	35,586	1,454,139
Receivables -					
Interest and accounts	54,848	-	12,135	-	66,983
Due from other governmental units -					
Federal/State	112,019	-	-	-	112,019
Local	19,418	-	-	-	19,418
Prepaid expenditures	26,139	23,709	83,630	-	133,478
Due from other funds	166,646	-	1,426,283	13,957	1,606,886
Advances to other funds	1,932,470	-	-	-	1,932,470
Total Assets	<u>\$ 3,797,893</u>	<u>\$ 1,185,113</u>	<u>\$ 8,506,903</u>	<u>\$ 569,222</u>	<u>\$ 14,059,131</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 34,890	\$ 6,819	\$ 208,157	\$ -	\$ 249,866
Accrued wages	26,058	12,442	-	-	38,500
Due to other funds	1,440,240	10,137	-	-	1,450,377
Deferred revenue	13,242	-	-	-	13,242
Total Liabilities	<u>1,514,430</u>	<u>29,398</u>	<u>208,157</u>	<u>-</u>	<u>1,751,985</u>
<b>Fund Balances:</b>					
Reserved	1,958,609	23,709	83,630	35,586	2,101,534
Unreserved -					
Designated	-	50,000	5,041,367	-	5,091,367
Undesignated -					
General Fund	324,854	-	-	-	324,854
Special Revenue Funds	-	1,082,006	3,173,749	533,636	4,789,391
Total Equity	<u>2,283,463</u>	<u>1,155,715</u>	<u>8,298,746</u>	<u>569,222</u>	<u>12,307,146</u>
Total Liabilities and Fund Balance	<u>\$ 3,797,893</u>	<u>\$ 1,185,113</u>	<u>\$ 8,506,903</u>	<u>\$ 569,222</u>	<u>\$ 14,059,131</u>

The accompanying notes are an integral part of these financial statements.

**LENOX TOWNSHIP**  
**Macomb County, Michigan**

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR  
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
ON THE STATEMENT OF NET ASSETS  
JUNE 30, 2008**

Fund Balances - total governmental funds	\$ 12,307,146
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	11,522,984
Accumulated depreciation	( 2,178,790)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Accrued compensated absences	( 8,893)
Investment in joint venture is not considered financial resources and therefore is not reported in the funds.	<u>429,929</u>
Net Assets of governmental activities	<u><u>\$ 22,072,376</u></u>

The notes to the financial statements are an integral part of this statement.



**LENOX TOWNSHIP**  
**Macomb County, Michigan**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	General	Fire Fund	PTA Revenue Fund	Other Governmental Fund	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 399,635	\$ 575,524	\$ -	\$ 164,427	\$ 1,139,586
Licenses and permits	63,772	-	-	-	63,772
Intergovernmental	327,262	832	-	1,636	329,730
Charges for services	25,975	-	-	-	25,975
Fines and forfeits	8,628	-	-	-	8,628
Interest and rent	53,962	36,711	296,337	16,543	403,553
Other	58,002	11,004	3,279,809	-	3,348,815
Total Revenues	<u>937,236</u>	<u>624,071</u>	<u>3,576,146</u>	<u>182,606</u>	<u>5,320,059</u>
<b>Expenditures:</b>					
Current -					
General Government	692,668	-	3,110,182	-	3,802,850
Public Safety	368,797	336,037	65,200	1,705	771,739
Public Works	2,199	-	197,772	69,348	269,319
Health and Welfare	7,681	-	219,185	-	226,866
Community and					
Economic Development	43,560	-	-	-	43,560
Recreation and Cultural	30,475	-	-	-	30,475
Total Expenditures	<u>1,145,380</u>	<u>336,037</u>	<u>3,592,339</u>	<u>71,053</u>	<u>5,144,809</u>
Net Change in Fund Balance	( 208,144)	288,034	( 16,193)	111,553	175,250
Fund Balances at beginning of year	<u>2,491,607</u>	<u>867,681</u>	<u>8,314,939</u>	<u>457,669</u>	<u>12,131,896</u>
Fund Balances at end of year	<u>\$ 2,283,463</u>	<u>\$ 1,155,715</u>	<u>\$ 8,298,746</u>	<u>\$ 569,222</u>	<u>\$ 12,307,146</u>

The accompanying notes are an integral part of these financial statements.

**LENOX TOWNSHIP**  
**Macomb County, Michigan**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2008**

Net change in fund balances - total governmental funds	\$ 175,250
 Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	3,180,250
Depreciation expense	( 264,233)
Loss on sale/disposal of assets	( 4,877)
 Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Increaase in accrued compensated absences	( 8,893)
 Net income (loss) from joint venture not reported in the governmental funds	 <u>37,854</u>
 Change in net assets of governmental activities	 <u><u>\$ 3,115,351</u></u>

The notes to the financial statements are an integral part of this statement.

**LENOX TOWNSHIP**  
**Macomb County, Michigan**

**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
**JUNE 30, 2008**

	Water Supply & Sewage Disposal System
<b>ASSETS:</b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 104,269
Accounts receivable -	
Water and sewer billing	72,565
Tap Fees	39,697
Prepaid expenses	11,197
Total Current Assets	<u>227,728</u>
<b>Restricted Assets:</b>	
Deposits with County	5,723,469
Accounts receivable	65,172
Total Restricted Assets	<u>5,788,641</u>
<b>Capital Assets:</b>	
Property, plant and equipment	
net of accumulated depreciation	<u>23,331,634</u>
<b>Other Assets:</b>	
Deferred charges (net of amortization)	<u>163,837</u>
Total Assets	<u>29,511,840</u>
<b>LIABILITIES:</b>	
<b>Current Liabilities:</b>	
Accounts payable	20,593
Accrued liabilities	3,316
Due to other governmental units	26,734
Due to other funds	153,743
Accrued interest	131,579
Total Current Liabilities	<u>335,965</u>
<b>Current Liabilities - Payable From Restricted Assets:</b>	
Accounts payable	141,485
Due to other governmental units	87,820
Bonds payable (current portion)	545,739
Total Liabilities Payable From Restricted Assets	<u>775,044</u>
<b>Long-Term Liabilities (less current portions):</b>	
Advance from general fund	1,932,470
Bonds payable	19,916,192
Total Long-Term Liabilities	<u>21,848,662</u>
Total Liabilities	<u>22,959,671</u>
<b>NET ASSETS:</b>	
Invested in capital assets, net	5,859,368
Restricted	801,038
Unrestricted	<u>( 108,237)</u>
Total Net Assets	<u>\$ 6,552,169</u>

The accompanying notes are an integral part of these financial statements.

**LENOX TOWNSHIP**  
**Macomb County, Michigan**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
**JUNE 30, 2008**

	Water Supply & Sewage Disposal System
<b>Operating Revenues:</b>	
User charges	\$ 635,111
Miscellaneous	1,250
Total Operating Revenues	<u>636,361</u>
<b>Operating Expenses:</b>	
Salaries and wages	46,656
Fringe benefits	15,124
Engineering	71,361
Water and sewer charges	323,263
Supplies	13,879
Repairs and maintenance	5,937
Insurance	15,488
Contractual services	15,684
Gas and diesel	4,538
Utilities	12,661
Depreciation	337,082
Other	2,200
Total Operating Expenses	<u>863,873</u>
Operating Loss	<u>( 227,512)</u>
<b>Non-Operating Revenues (Expenses):</b>	
System development fees	86,186
Interest income	292,831
Amortization of deferred charges	( 8,701)
Interest expense	( 748,917)
Total Non-Operating Revenues (Expenses)	<u>( 378,601)</u>
Net Loss Before Contributions	( 606,113)
<b>Capital Contributions</b>	<u>2,554,118</u>
Change in Net Assets	<u>1,948,005</u>
Net Assets at beginning of year	5,874,170
Prior period adjustment	<u>( 1,270,006)</u>
Net Assets at beginning of year, restated	<u>4,604,164</u>
Net Assets end of year	<u><u>\$ 6,552,169</u></u>

The accompanying notes are an integral part of these financial statements.

**LENOX TOWNSHIP**  
**Macomb County, Michigan**

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**JUNE 30, 2008**

	Water Supply & Sewage Disposal System
<b>Cash Flows From Operating Activities:</b>	
Cash receipts from customers	\$ 542,833
Cash payments to suppliers	( 551,417)
Cash payments to employees	( 49,841)
Net Cash Used by Operating Activities	<u>( 58,425)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>	
Advances/due to other funds	835,900
Proceeds from system development fees	87,218
Contributed Capital	602,007
Acquisition and construction of capital assets	( 10,351,690)
Bond Proceeds	3,218,045
Payment of interest and agent fees	( 743,075)
Issuance costs	( 121,742)
Payment of long-term debt	( 628,539)
Change in deposit with County	6,833,285
Net Cash Used by Capital and Related Financing Activities	<u>( 268,591)</u>
<b>Cash Flows From Investing Activities:</b>	
Interest earned	292,831
Net Cash Provided by Investing Activities	<u>292,831</u>
Net Decrease in Cash and Cash Equivalents	( 34,185)
Cash and Cash Equivalents at Beginning of Year	<u>138,454</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 104,269</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>	
Operating loss for the year	\$( 227,512)
Adjustments to reconcile operating loss to net cash used by operating activities -	
Depreciation	337,082
Change in assets and liabilities-	
Receivable	( 22,593)
Prepays	4,112
Accounts payable	( 146,329)
Accrued liabilities	( 3,185)
Net Cash Used By Operating Activities	<u><u>\$( 58,425)</u></u>

The accompanying notes are an integral part of these financial statements.

**LENOX TOWNSHIP**  
**Macomb County, Michigan**

**STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2008**

	<u>Agency Fund</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ <u>33,979</u>
<b>LIABILITIES:</b>	
Due to other funds	\$ 2,766
Due to individuals and agencies	<u>31,213</u>
	<u>\$ 33,979</u>

The accompanying notes are an integral part of these financial statements.

**LENOX TOWNSHIP, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

The accounting methods and procedures adopted by Lenox Township, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following Notes to the Financial Statements are an integral part of the Township's Financial Statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. Reporting Entity –**

The Township of Lenox, a municipal corporation, was organized as a Township in 1837, and operates under the provisions of the constitution and general law of the State of Michigan. The Township is one of twelve (12) Townships in Macomb County and covers an area of approximately 26 square miles. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer and two Trustees, and provides services to its more than 5,000 residents in many areas including police, fire protection and roads.

These financial statements presented the Township and the component units, entities for which the township is considered to be financially accountable. Discretely presented component units are reported on a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township.

**Discretely Presented Component Unit** - The component unit column in the combined statement includes the financial data of the Lenox Township Library. The Library operates under the authority of PA 164 of the Michigan Public Acts of 1877. The entity has an independent Board that is elected by the residents of Lenox Township and the Village of New Haven. A majority of the Library revenues is from property taxes collected from the residents of Lenox Township.

The financial statements of the Lenox Township Library are audited separately and may be obtained from the Lenox Township Library at the following address:

Lenox Township Library  
58976 Main Street  
New Haven, MI 48048

**B. Government-wide and fund financial statements –**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**LENOX TOWNSHIP, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are due. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes which are levied on July 1, and due on August 31, are recognized as revenue in the year due. All other revenue items are considered to be measurable and available only when cash is received by the Township.



**LENOX TOWNSHIP, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):**

The Township reports the following major governmental funds:

**General Fund** – is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Fire Fund** – is a special revenue fund used to account for taxes and other related revenues restricted for fire service of the Township.

**PTA (Pine Tree Acres) Revenue Fund** – is a special revenue fund used to account for tipping fees, revenues and the related expenditures.

The Township reports the following major proprietary funds:

**Water & Sewage Disposal System** – is used to account for the treatment and distribution of water and sanitary sewer services to residential and commercial users.

Additionally, the Township reports the following fund types –

**Special Revenue Funds** – are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulation provisions or administrative actions.

**Debt Service Fund** – is used to account for accumulation of resources for and the payment of, general long-term debt principal, interest and related costs.

**Agency Fund** – is used to account for assets held by the Township as an agent for other governments and other funds.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for this business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**LENOX TOWNSHIP, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):**

Proprietary funds distinguish operating revenue and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principle on-going operations. The principle operating revenues of the Enterprise Fund are charges to customers for sale and services. Operating expenses from the Enterprise Fund include costs of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, the unrestricted resources, as they are needed.

**D. Assets, Liabilities and Net Assets or Equity –**

**Deposits and Investments –**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit with original maturities of three months or less from the date of acquisition. The investment trusts have the general characteristics of demand deposit accounts in that the Township may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

Investments consist of certificates of deposit with a maturity of more than ninety days from the date of requisition, which is recorded at "fair value". For the purpose of the Statement of Cash Flows presented for the Proprietary Fund Type, the Township considers all highly liquid investments (including restricted assets) with original maturities of ninety days or less to be cash equivalents.

**Receivables and Payables –**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property the receivables are shown net of an allowance for uncollectible.

**LENOX TOWNSHIP, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):**

**Prepaid Items –**

Certain payments to vendors reflect costs applicable to further accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Property Tax Calendar –**

The Township's property tax is levied in December on the assessed valuation of property located in the Township as of the preceding December 31 and is treated as revenue in the current fiscal year. The Township also collects taxes for the County, Intermediate School District, Community College and Local School District. Collections of all taxes other than Township taxes and the remittance of them are accounted for in the Tax Collection Fund.

**Capital Assets –**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

As permitted by GASB Statement No. 34, the Township has elected not to report governmental infrastructure assets (principally roads and sidewalks) acquired prior to July 1, 2003.

Property, plant, and equipment of the primary government, as well as the component unit, is depreciated using the straight line method over the following estimated useful lives:

	<u>Primary Government</u>	<u>Component Unit</u>
Buildings and improvements	10-50	15-40
Utility systems	5-50	-
Machinery and equipment	5-20	7
Vehicles	8-15	-
Library books and materials	-	7

**Compensated Absences –**

The Township pays off a portion of unused vacation and sick time at the end of the calendar year or upon termination of employment.

**LENOX TOWNSHIP, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**Long-Term Obligations –**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity–**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Estimates –**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

The Township Supervisor prepares and submits the proposed operating budgets for the fiscal year commencing July 1. The budgets include proposed expenditures and resources to finance them.

Prior to June 30, the proposed budget is presented to the Township Board. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through the passage of a Township Resolution. After the budget is adopted, all amendments must be approved by the Township Board.

The Township's approved budgets were adopted at the activity level for the General Fund and the function level for Special Revenue Funds. However, for control purposes all the budgets are maintained at the object (account) level.

**LENOX TOWNSHIP, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (cont'd):**

During the year the Township incurred expenditures in the General and Special Revenue Funds, which were in excess of the amounts appropriated as follows:

Excess of Expenditures Over Appropriations –

<u>Fund Type/Function/Activity</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund –			
General Government –			
Legislative	\$ 10,305	\$ 14,204	\$ 3,899
Supervisor	51,501	52,042	541
Treasurer	63,875	69,106	5,231
Assessor	69,945	74,441	4,496
Township Hall	93,000	116,277	23,277
Public Safety –			
Law Enforcement	245,000	270,204	25,204
Community and Economic Development –			
Planning Commission	9,000	10,248	1,248
PTA Fund –			
General Government	1,760,000	3,110,182	1,350,182
Public Safety	35,000	65,200	30,200
Health and Welfare	218,000	219,185	1,185

**NOTE 3 - DEPOSITS AND INVESTMENTS:**

As of June 30, 2008, the carrying amount of the deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>	<u>Total</u>
Petty Cash	\$ 650	\$ -	\$ -	\$ 650
Deposits with Financial Institutions	2,746,647	33,979	1,009,011	3,789,637
Investment Trust Funds	<u>7,544,849</u>	<u>-</u>	<u>-</u>	<u>7,544,849</u>
Grand Total	<u>\$ 10,292,146</u>	<u>\$ 33,979</u>	<u>\$1,009,011</u>	<u>\$ 11,335,136</u>
Reconciliation To Combined Balance Sheet				
Reported as Cash and Cash Equivalents -				
Petty Cash	\$ 650	\$ -	\$ -	\$ 650
Deposits with Financial Institutions	1,292,508	33,979	896,730	2,223,217
Investment Trust Funds	<u>7,544,849</u>	<u>-</u>	<u>-</u>	<u>7,544,849</u>
Total Cash and Cash Equivalents	8,838,007	33,979	896,730	9,768,716
Reported as Investments-				
Deposits with Financial Institutions	<u>1,454,139</u>	<u>-</u>	<u>112,281</u>	<u>1,566,420</u>
Grand Total- Combined Balance Sheet	<u>\$ 10,292,146</u>	<u>\$ 33,979</u>	<u>\$1,009,011</u>	<u>\$ 11,335,136</u>

**LENOX TOWNSHIP, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 3 - DEPOSITS AND INVESTMENTS – (cont'd):**

The Township's investment policy primary objectives are foremost safety of principle, followed by diversification, maintaining adequate liquidity and return on investment. The Township Treasurer is responsible for the investing of the Township funds in accordance with the Township investment policy.

**Deposits –**

The Township's investment policy and Act 217 PA 1982, as amended, authorizes the Township to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for interest bearing accounts and \$100,000 for non-interest bearing accounts. (The FDIC insurance amount increased to \$250,000 effective October 3, 2008, for interest bearing accounts and the insurance amount for non-interest bearing accounts in unlimited, if the bank participates, effective October 14, 2008.)

***Custodial credit risk-Deposits***-is the risk that in the event of a bank failure, the Township's deposit may not be returned. As an indication of the level of deposit custodial credit risk assumed by the Township, as of June 30, 2008, the bank balance of the Township's deposits was \$2,531,247 of which \$600,000 was FDIC insured with the remaining balance of \$1,931,247 uninsured and uncollateralized. In addition the component unit had a bank balance of \$1,011,973 of which \$300,915 was covered by FDIC insurance, with the remaining balance uninsured and uncollateralized.

**Investments -**

Act 20 PA 1994 as amended by Act 1997 PA 1999 and the Township investment policy authorizes the Township to invest surplus funds in mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

At June 30, 2008, the Township was invested in the following types of investments:

	<u>Amount</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Average Days to Maturity</u>
Comerica Investment Trust Fund	\$ 4,992,788	Not Rated	N/A	23
LaSalle Bank Investment Trust Fund	2,062,061	AAAm	S & P's	14
National City Bank Investment Trust Fund	490,000	Not Rated	N/A	<90

The investment trust funds invest primarily in repurchase agreements, commercial paper, and U.S. Treasury securities.

**LENOX TOWNSHIP, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 3 - DEPOSITS AND INVESTMENTS – (cont'd):**

***Custodial credit risk*** – is the risk that in the event of a failure of the counterparty, the Township may not be able to recover the value of its investments that are in the possession of another party. The Township's investment policy does not address custodial credit risk.

***Interest rate risk*** – is the risk that the market value of securities in the Township's portfolio will fall due to changes in market interest increases. The Township policy indicates the portfolio shall be designed with the objective of obtaining a rate of return throughout the budgetary and economic cycle, taking into account the investment risk constraints and the cash flow characteristics of the portfolio. The Township's investment policy does not specifically address interest rate risk.

***Credit risk*** – is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and the Township investment policy limits the type of investments the Township can purchase. The Township's investment policy does not specifically address credit risk of investments.

***Concentration of credit risk*** – is the risk of loss attributed to the magnitude of the Township's investments in a single issuer. The Township's investment policy specifies that investments shall be diversified by security type and institution in order that potential losses on individual securities does not exceed the income generated from the remainder of the portfolio. The Township's investment policy does not specifically address concentration of credit risk.

**NOTE 4 - CAPITAL ASSETS:**

**Primary Government**

Capital asset activity of the primary government for the year ended June 30, 2008 was as follows:

	July 1, 2007 Balance, Restated	Additions	Deletions/ Adjustments	June 30, 2008 Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,241,173	\$ -	\$ -	\$ 1,241,173
Construction in progress	<u>2,519,158</u>	<u>2,870,105</u>	<u>5,389,263</u>	<u>-</u>
Total capital assets not being depreciated	<u>3,760,331</u>	<u>2,870,105</u>	<u>5,389,263</u>	<u>1,241,173</u>
Capital assets, being depreciated:				
Land improvements	1,469,764	24,328	-	1,494,092
Buildings	1,553,120	5,396,195	-	6,949,315
Equipment	654,966	278,885	87,181	846,670
Vehicles	<u>991,734</u>	<u>-</u>	<u>-</u>	<u>991,734</u>
Total capital assets being depreciated	4,669,584	5,699,408	87,181	10,281,811
Less accumulated depreciation	<u>( 1,996,861)</u>	<u>( 264,233)</u>	<u>( 82,304)</u>	<u>( 2,178,790)</u>
Total capital assets being depreciated, net	<u>2,672,723</u>	<u>5,435,175</u>	<u>4,877</u>	<u>8,103,021</u>
Governmental activities capital assets, net	<u>\$ 6,433,054</u>	<u>\$ 8,305,280</u>	<u>\$ 5,394,140</u>	<u>\$ 9,344,194</u>

**LENOX TOWNSHIP, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 4 - CAPITAL ASSETS – (cont'd):**

	July 1, 2007 Balance, <u>Restated</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	June 30, 2008 <u>Balance</u>
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 8,681,083	\$ 10,407,417	\$ 18,962,822	\$ 125,678
Capital assets, being depreciated:				
Buildings	190,139	-	-	190,139
Mains and extensions	5,860,365	18,962,822	-	24,823,187
Equipment	117,690	-	9,691	107,999
Total capital assets being depreciated	6,168,194	18,962,822	9,691	25,121,325
Less accumulated depreciation	( 1,587,978)	( 337,082)	( 9,691)	( 1,915,369)
Total capital assets being depreciated, net	4,580,216	18,625,740	-	23,205,956
Business activities capital assets, net	\$ 13,261,299	\$ 29,033,157	\$ 18,962,822	\$ 23,331,634

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities:</b>	
General Government	\$ 83,173
Public Safety	113,651
Public Works	7,212
Recreation and Cultural	<u>60,197</u>
Total depreciation expense-governmental activities	<u>\$ 264,233</u>
<b>Business-type activities:</b>	
Water and Sewer	<u>\$ 337,082</u>

**Component Unit -**

Following is a summary of changes in general fixed assets of the Library, a Discretely Presented Component Unit, for the year ended June 30, 2008:

	Balance July 1, <u>2007</u>	<u>Additions</u>	<u>Disposals</u>	Balance June 30, <u>2008</u>
Buildings and improvements	\$ 137,152	\$ -	\$ -	\$ 137,152
Furniture and equipment	22,288	3,300	-	25,588
Library books and materials	<u>177,721</u>	<u>26,526</u>	<u>23,143</u>	<u>181,104</u>
	337,161	29,826	23,143	343,844
Accumulated depreciation	( 145,892)	( 28,616)	( 23,143)	( 151,365)
	<u>\$ 191,269</u>	<u>\$ 1,210</u>	<u>\$ -</u>	<u>\$ 192,479</u>



**LENOX TOWNSHIP, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 5 - LONG-TERM DEBT:**

**Primary Government -**

The following is a summary of changes in the long-term debt (including current portion) of the Township for the year ended June 30, 2008:

	Balance July 1, 2007	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2008	Due Within One Year
<u>Governmental Activities:</u>					
Governmental Funds-					
Accumulated Compensated					
Absences	\$ -	\$ 8,893	\$ -	\$ 8,893	\$ 8,893
<u>Business-type Activities:</u>					
Enterprise Fund-					
Bonds Payable -					
Water Supply System 13	150,000	-	150,000	-	-
Water Supply System 14	530,000	-	95,000	435,000	100,000
North Gratiot Interceptor					
Drain Bonds	15,100,000	-	350,000	14,750,000	350,000
North Gratiot Interceptor					
Drain Bonds Series 2006A	2,267,186	-	33,539	2,233,647	33,538
North Gratiot Interceptor					
Drain Bonds Phase I	-	3,238,138	-	3,238,138	71,024
Deferred Amounts for -					
Issuance Discounts	( 173,099)	( 30,578)	( 8,823)	( 194,854)	( 8,823)
Total Business-type Activities	<u>17,874,087</u>	<u>3,207,560</u>	<u>619,716</u>	<u>20,461,931</u>	<u>545,739</u>
	<u>\$ 17,874,087</u>	<u>\$ 3,216,453</u>	<u>\$ 619,716</u>	<u>\$ 20,470,824</u>	<u>\$ 554,632</u>

Significant details regarding outstanding long-term debt are presented below:

**Accumulated Compensated Absences –**

In accordance with contracts with the various employees of the Township, individual employees have vested rights upon termination of employment to receive payments for unused compensated absences.

**Contracts/Bonds Payable –**

The bonds have been issued by the Macomb County Public Works Department backed by the full faith and credit of the Township and Macomb County. The Township has signed an agreement to make payments to the Macomb County Public Works to meet the debt service requirements on the contracts/bonds payable.

\$1,050,000 Macomb County Water Supply 14 (Lenox Township Section 3) Bonds, dated March 1, 1997, due in annual installments beginning November 1, 2001, ranging from \$100,000 to \$120,000 through November 1, 2011. Interest is payable semi-annually with rates ranging from 5.0 to 5.3 percent

\$ 435,000

**LENOX TOWNSHIP, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 5 - LONG-TERM DEBT – (cont'd):**

\$15,200,000 North Gratiot Interceptor Lenox Local Drainage District Drain Bonds, dated March 1, 2007, due in annual installments ranging from \$350,000 to \$900,000 through May 1, 2031, with interest ranging from 4.0 to 4.25 percent payable semi-annually \$ 14,750,000

\$2,267,186 North Gratiot Interceptor Drainage District Drain Bonds, Series 2006 A, dated November 1, 2006, due in annual installments ranging from \$33,538 to \$167,691 through May 1, 2032, with interest ranging from 3.75 to 4.25 percent payable semi-annually 2,233,647

\$3,238,138 North Gratiot Interceptor Drainage District Drain Bonds, Phase I, dated June 1, 2008, due in annual installments ranging from \$71,024 to \$173,938 through May 1, 2033, with interest ranging from 3.25 to 5.00 percent payable semi-annually 3,238,138

\$ 20,656,785

The annual requirements to amortize bonds outstanding at June 30, 2008, are as follows:

	System 14		North Gratiot Interceptor Drain		North Gratiot Interceptor Drain, Series 2006 A		North Gratiot Interceptor Drain, Phase I	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 100,000	\$ 19,935	\$ 350,000	\$ 602,500	\$ 33,538	\$ 91,953	\$ 71,024	\$ 133,075
2010	105,000	14,757	400,000	588,500	50,308	90,696	72,474	142,864
2011	110,000	9,220	400,000	572,500	50,307	88,809	72,474	140,418
2012	120,000	3,180	450,000	556,500	50,307	86,923	72,474	137,882
2013	-	-	450,000	538,500	53,661	84,910	72,474	135,254
2014-2018	-	-	2,800,000	2,388,500	352,152	385,313	543,555	617,026
2019-2023	-	-	3,300,000	1,782,500	452,766	305,777	724,740	484,404
2024-2028	-	-	3,900,000	1,074,938	553,381	206,478	768,224	308,848
2029-2033	-	-	<u>2,700,000</u>	<u>229,500</u>	<u>637,227</u>	<u>69,022</u>	<u>840,699</u>	<u>121,865</u>
	<u>\$ 435,000</u>	<u>\$ 47,092</u>	<u>\$14,750,000</u>	<u>\$8,333,938</u>	<u>\$2,233,647</u>	<u>\$1,409,881</u>	<u>\$ 3,238,138</u>	<u>\$2,221,636</u>

The Township has a commitment from the State of Michigan Department of Corrections to contribute \$1,727,466 for the cost of construction of the interceptor drain. However, because the contribution needs to be included in the State's budget and the agreement is being reviewed, a receivable has not been recorded at June 30, 2008. Any contribution amount received will be recognized in future years.

**LENOX TOWNSHIP, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 6 - INTERFUND RECEIVABLE AND PAYABLE BALANCES:**

The composition of interfund balances as of June 30, 2008:

**Due to/From Other Funds –**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
General Fund	Fire Fund	\$ 10,137	(1)
	Water & Sewage Disposal Fund	153,743	(1)
	Tax Collection Fund	1,182	(2)
	Trust and Agency Fund	<u>1,584</u>	(2)
		166,646	
PTA Revenue Fund	General Fund	1,426,283	(3)
Road Fund	General Fund	494	(3)
Liquor Law Enforcement Fund	General Fund	<u>13,463</u>	(3)
		<u>\$ 1,606,886</u>	

(1) Transfers not made at year-end to cover operating costs.

(2) Interest not transferred at year-end.

(3) Funds deposited into incorrect account.

**Advance To/From Other Funds -**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water & Sewage Disposal Fund	<u>\$ 1,932,470</u>

The long-term advances were made to construct utilities systems and make debt payments.

**NOTE 7 - COMMUNITY DEVELOPMENT BLOCK GRANT:**

During the year, the Township was appropriated \$33,000 Community Development Block Grant (CDBG) funding through Macomb County. At June 30, 2008, the Township has \$13,442 available for future CDBG projects.

Macomb County pays CDBG project providers directly. The County maintains administrative control over the funding, monitors the programs and reports the programs in the County's Single Audit report.

**LENOX TOWNSHIP, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 8 - PRINCIPAL UTILITY CUSTOMERS:**

There are four (4) users that provide a significant portion of the utility (water and sewer) revenue. The revenues provided, and the approximate percentage of the utility system revenues for the year ended June 30, 2008 are summarized below:

	<u>Utility Charges</u>	
Macomb County		
Correctional Facility	\$ 303,112	47.5 %
Americana Estate	101,839	15.9
Quail Run	88,351	13.8
Millstone Pond	<u>59,576</u>	<u>9.3</u>
	<u>\$ 552,878</u>	<u>86.5 %</u>

**NOTE 9 - SUMMARY OF INSPECTION DEPARTMENT:**

The following schedule presents the Township's inspection department revenues and expenditures in accordance with Public Act 245 of 1999:

Revenues:

Building Permits	\$ 38,870
Electrical Permits	11,910
Mechanical Permits	8,445
Plumbing Permits	<u>3,993</u>
	<u>63,218</u>

Expenditures:

Salaries and Wages	91,323
Operating Supplies	1,888
Transportation	2,082
Utilities	1,417
Education and Training	240
Miscellaneous	<u>1,643</u>
	<u>98,593</u>

Excess of revenues over (under) expenditures \$ ( 35,375 )

The above expenditures do not include all overhead expenditures.

**NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN:**

The Township provides pension benefits to substantially all employees through a deferred contribution plan. In a deferred contribution plan, benefits depend solely on amounts contributed to the plan plus any investment earnings. The Township matches up to \$910 per year for employees not serving as officials, and contributes 15% of gross pay for elected officials. All contributions, both employer and employee, become 100% vested at the time of the contribution.

For the year ended June 30, 2008, the Township contributed \$31,044, and employees contributed \$23,511 to the plan.

**LENOX TOWNSHIP, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 11 - RESERVED/DESIGNATED FUND BALANCE:**

**Reserved Fund Balance –**

Fund Balance has been reserved in various governmental funds to indicate the portion of Fund Balance not available, but reserved for a specific purpose. The following is a summary of Reserved Fund Balance at June 30, 2008:

General Fund –	
Advance from other funds	\$ 1,932,470
Prepaid expenditure	<u>26,139</u>
	1,958,609
Fire Fund –	
Prepaid expenditure	23,709
PTA Fund –	
Prepaid expenditure	83,630
Chapter 20 Drain –	
Debt Retirement	<u>35,586</u>
	<u>\$ 2,101,534</u>

**Designated Fund Balance –**

The Township Board has the power to designate or set aside all or a portion of unreserved fund balance for specific purposes. The following is a summary of the Board's designations at June 30, 2008:

PTA Revenue Fund –	
Gratiot Sewer Project	\$ 1,600,000
Recreation Fund	80,000
Future Clean-Up	2,200,000
Senior Citizen	20,000
Contingencies	1,126,367
EMS Capital Fund	5,000
DPW Capital Fund	5,000
Fire Capital Fund	<u>5,000</u>
	5,041,367
Fire Fund-	
Future Capital Purchase	<u>50,000</u>
	<u>\$ 5,091,367</u>

**LENOX TOWNSHIP, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 12 – JOINT VENTURE**

Under authorization of the Ambulance Authority Act of the State of Michigan, the Township organized the Richmond-Lenox Ambulance Authority in conjunction with the Township of Richmond to provide the citizens of the two townships with emergency medical service. The Townships each have a 50 percent interest and each appoint members to the joint venture's governing board. The operations of the Authority are supported by contributions from the Townships and the annual budget is approved by both Townships. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

Lenox Township's equity interest in the joint venture at June 30, 2008, the most recent available financial report is \$429,929. During the year ended June 30, 2008, Lenox Township contributed \$208,000 to the operations of the Authority. A separate financial report of the Authority can be obtained by contacting the Authority's management at 34505 32 Mile Road, Richmond, Michigan 48062.

**NOTE 13 – PRIOR PERIOD ADJUSTMENT:**

A prior period adjustment of \$1,270,006 was made in the proprietary fund and business-type activities to reflect a change in the Lenox portion of the drain projects administered by the County.

A prior period adjustment of \$392,075 was made in the government-wide statement of activities to reflect the recording of the beginning balance for the investment in the joint venture.

**NOTE 14 – SUBSEQUENT EVENT:**

In October of 2008 the Township paid the remaining balance on the Water Supply System 14 bonds of \$435,000.

On August 8, 2008, Lenox Township Library purchased a parcel of vacant land for \$250,000. This property is located in New Haven, Michigan and was purchased as a site to construct a new library.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**LENOX TOWNSHIP**  
**Macomb County, Michigan**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 374,000	\$ 356,104	\$ 399,635	\$ 43,531
Licenses and permits	210,000	59,075	63,772	4,697
Intergovernmental -				
Federal/State	325,000	170,783	327,262	156,479
Charges for services	62,200	20,702	25,975	5,273
Fines and forfeits	15,000	6,526	8,628	2,102
Interest and rent	59,800	56,800	53,962	( 2,838)
Other	19,000	19,000	58,002	39,002
Total Revenues	<u>1,065,000</u>	<u>688,990</u>	<u>937,236</u>	<u>248,246</u>
<b>Expenditures:</b>				
General Government -				
Legislative	10,120	10,305	14,204	( 3,899)
Supervisor	50,750	51,501	52,042	( 541)
Clerk	59,000	59,461	57,384	2,077
Treasurer	60,700	63,875	69,106	( 5,231)
Assessor	65,250	69,945	74,441	( 4,496)
Board of Review	1,720	3,002	2,902	100
Election	14,000	14,000	6,790	7,210
Township Hall	63,500	93,000	116,277	( 23,277)
General Services	287,350	321,948	299,522	22,426
	<u>612,390</u>	<u>687,037</u>	<u>692,668</u>	<u>( 5,631)</u>
Public Safety -				
Law Enforcement	245,000	245,000	270,204	( 25,204)
Building and Inspection	101,550	107,650	98,593	9,057
	<u>346,550</u>	<u>352,650</u>	<u>368,797</u>	<u>( 16,147)</u>
Public Works -				
Street Lighting	2,930	2,930	2,199	731
Health and Welfare -				
Senior Center	10,000	10,100	7,681	2,419
Community and Economic Development -				
Planning Commission	6,695	9,000	10,248	( 1,248)
Zoning Board of Appeals	1,500	2,200	1,539	661
Other Planning	35,000	38,852	31,773	7,079
	<u>43,195</u>	<u>50,052</u>	<u>43,560</u>	<u>6,492</u>
Recreation and Cultural -				
Township Park	42,000	42,000	30,475	11,525
Total Expenditures	<u>1,057,065</u>	<u>1,144,769</u>	<u>1,145,380</u>	<u>( 611)</u>
Net Change in Fund Balance	7,935	( 455,779)	( 208,144)	247,635
Fund Balance at beginning of year	<u>2,491,607</u>	<u>2,491,607</u>	<u>2,491,607</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 2,499,542</u>	<u>\$ 2,035,828</u>	<u>\$ 2,283,463</u>	<u>\$ 247,635</u>



**LENOX TOWNSHIP**  
**Macomb County, Michigan**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - FIRE SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 525,000	\$ 505,100	\$ 575,524	\$ 70,424
Intergovernmental - federal/state	-	-	832	832
Interest and rent	30,000	33,500	36,711	3,211
Other	5,000	15,000	11,004	( 3,996)
Total Revenues	<u>560,000</u>	<u>553,600</u>	<u>624,071</u>	<u>70,471</u>
<b>Expenditures:</b>				
Public Safety	<u>365,200</u>	<u>366,930</u>	<u>336,037</u>	<u>30,893</u>
Net Change in Fund Balance	194,800	186,670	288,034	101,364
Fund Balance at beginning of year	<u>867,681</u>	<u>867,681</u>	<u>867,681</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 1,062,481</u></u>	<u><u>\$ 1,054,351</u></u>	<u><u>\$ 1,155,715</u></u>	<u><u>\$ 101,364</u></u>

**LENOX TOWNSHIP**  
**Macomb County, Michigan**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - PTA SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Investment return	\$ -	\$ -	\$ 296,337	\$ 296,337
Other	3,478,942	3,478,942	3,279,809	( 199,133)
Total Revenues	<u>3,478,942</u>	<u>3,478,942</u>	<u>3,576,146</u>	<u>97,204</u>
<b>Expenditures:</b>				
General Government	1,760,000	1,760,000	3,110,182	( 1,350,182)
Public Safety	35,000	35,000	65,200	( 30,200)
Public Works	704,000	704,000	197,772	506,228
Health and Welfare	218,000	218,000	219,185	( 1,185)
	<u>2,717,000</u>	<u>2,717,000</u>	<u>3,592,339</u>	<u>( 875,339)</u>
Net Change in Fund Balance	761,942	761,942	( 16,193)	( 778,135)
Fund Balance at beginning of year	<u>8,314,939</u>	<u>8,314,939</u>	<u>8,314,939</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 9,076,881</u>	<u>\$ 9,076,881</u>	<u>\$ 8,298,746</u>	<u>\$ ( 778,135)</u>

## **OTHER SUPPLEMENTARY INFORMATION**

**LENOX TOWNSHIP**  
**Macomb County, Michigan**

**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2008**

	Special Revenue Funds			Debt Service Fund	
	Road	Liquor Law Enforcement	Monitoring Fee	Chapter 20 Drain	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 513,596	\$ -	\$ 6,083	\$ -	\$ 519,679
Investments	-	-	-	35,586	35,586
Due from other funds	494	13,463	-	-	13,957
Total Assets	<u>\$ 514,090</u>	<u>\$ 13,463</u>	<u>\$ 6,083</u>	<u>\$ 35,586</u>	<u>\$ 569,222</u>
<b>FUND BALANCE</b>					
Reserved for Debt Retirement	\$ -	\$ -	\$ -	\$ 35,586	\$ 35,586
Unreserved	514,090	13,463	6,083	-	533,636
Total Fund Balance	<u>\$ 514,090</u>	<u>\$ 13,463</u>	<u>\$ 6,083</u>	<u>\$ 35,586</u>	<u>\$ 569,222</u>

**LENOX TOWNSHIP**  
**Macomb County, Michigan**

**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Special Revenue Funds			Debt Service Fund	
	Road	Liquor Law Enforcement	Monitoring Fee	Chapter 20 Drain	Total
<b>Revenues:</b>					
Taxes	\$ 164,427	\$ -	\$ -	\$ -	\$ 164,427
Intergovernmental - Federal/State	-	1,636	-	-	1,636
Interest	14,509	-	-	2,034	16,543
Total Revenues	<u>178,936</u>	<u>1,636</u>	<u>-</u>	<u>2,034</u>	<u>182,606</u>
<b>Expenditures:</b>					
Public Safety	-	-	1,705	-	1,705
Public Works	69,348	-	-	-	69,348
Total Expenditures	<u>69,348</u>	<u>-</u>	<u>1,705</u>	<u>-</u>	<u>71,053</u>
Net Change in Fund Balances	109,588	1,636	( 1,705)	2,034	111,553
Fund Balances at beginning of year	<u>404,502</u>	<u>11,827</u>	<u>7,788</u>	<u>33,552</u>	<u>457,669</u>
Fund Balances at end of year	<u><u>\$ 514,090</u></u>	<u><u>\$ 13,463</u></u>	<u><u>\$ 6,083</u></u>	<u><u>\$ 35,586</u></u>	<u><u>\$ 569,222</u></u>

**LENOX TOWNSHIP**  
**Macomb County, Michigan**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>ROAD FUND</b>				
<b>Revenues:</b>				
Taxes	\$ 145,000	\$ 140,025	\$ 164,427	\$ 24,402
Interest	8,800	8,800	14,509	5,709
Total Revenues	<u>153,800</u>	<u>148,825</u>	<u>178,936</u>	<u>30,111</u>
<b>Expenditures:</b>				
Public Works	<u>165,000</u>	<u>100,000</u>	<u>69,348</u>	<u>30,652</u>
Net Change in Fund Balance	( 11,200)	48,825	109,588	60,763
Fund Balance at beginning of year	<u>404,502</u>	<u>404,502</u>	<u>404,502</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 393,302</u></u>	<u><u>\$ 453,327</u></u>	<u><u>\$ 514,090</u></u>	<u><u>\$ 60,763</u></u>

**LIQUOR LAW ENFORCEMENT FUND**

<b>Revenues:</b>				
Intergovernmental - State	\$ 1,650	\$ 1,650	\$ 1,636	\$ ( 14)
<b>Expenditures:</b>				
Public Safety	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	1,650	1,650	1,636	( 14)
Fund Balance at beginning of year	<u>11,827</u>	<u>11,827</u>	<u>11,827</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 13,477</u></u>	<u><u>\$ 13,477</u></u>	<u><u>\$ 13,463</u></u>	<u><u>\$ ( 14)</u></u>

**MONITORING FEE FUND**

<b>Revenues:</b>				
Charges for Services	\$ -	\$ -	\$ -	\$ -
<b>Expenditures:</b>				
Public Safety	<u>-</u>	<u>2,000</u>	<u>1,705</u>	<u>295</u>
Net Change in Fund Balance	-	( 2,000)	( 1,705)	295
Fund Balance at beginning of year	<u>7,788</u>	<u>7,788</u>	<u>7,788</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 7,788</u></u>	<u><u>\$ 5,788</u></u>	<u><u>\$ 6,083</u></u>	<u><u>\$ 295</u></u>

## **FIDUCIARY FUNDS**

**LENOX TOWNSHIP**  
**Macomb County, Michigan**

**COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008
<b>TOTAL ALL AGENCY FUNDS</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 57,726	\$ 9,282,262	\$ 9,306,009	\$ 33,979
Due from other funds	405	-	405	-
	<u>58,131</u>	<u>-</u>	<u>405</u>	<u>-</u>
Total Assets	<u>\$ 58,131</u>	<u>\$ 9,282,262</u>	<u>\$ 9,306,414</u>	<u>\$ 33,979</u>
<b>Liabilities:</b>				
Due to other funds	\$ -	\$ 1,106,507	\$ 1,103,741	\$ 2,766
Due to other governmental units	-	8,107,238	8,107,238	-
Due to individuals and agencies	58,131	68,517	95,435	31,213
	<u>58,131</u>	<u>8,173,262</u>	<u>9,306,414</u>	<u>31,213</u>
Total Liabilities	<u>\$ 58,131</u>	<u>\$ 9,282,262</u>	<u>\$ 9,306,414</u>	<u>\$ 33,979</u>
<b>AGENCY FUND</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 57,726	\$ 180,613	\$ 205,542	\$ 32,797
Due from other funds	405	-	405	-
	<u>58,131</u>	<u>-</u>	<u>405</u>	<u>-</u>
Total Assets	<u>\$ 58,131</u>	<u>\$ 180,613</u>	<u>\$ 205,947</u>	<u>\$ 32,797</u>
<b>Liabilities:</b>				
Due to other funds	\$ -	\$ 112,096	\$ 110,512	\$ 1,584
Due to individuals and agencies	58,131	68,517	95,435	31,213
	<u>58,131</u>	<u>180,613</u>	<u>205,947</u>	<u>31,213</u>
Total Liabilities	<u>\$ 58,131</u>	<u>\$ 180,613</u>	<u>\$ 205,947</u>	<u>\$ 32,797</u>
<b>TAX FUND</b>				
<b>Assets:</b>				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 9,101,649</u>	<u>\$ 9,100,467</u>	<u>\$ 1,182</u>
<b>Liabilities:</b>				
Due to other funds	\$ -	\$ 994,411	\$ 993,229	\$ 1,182
Due to other governmental units	-	8,107,238	8,107,238	-
	<u>-</u>	<u>8,107,238</u>	<u>8,107,238</u>	<u>-</u>
Total Liabilities	<u>\$ -</u>	<u>\$ 9,101,649</u>	<u>\$ 9,100,467</u>	<u>\$ 1,182</u>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Supervisor and Members  
of the Township Board  
Lenox Township  
Macomb County, Michigan

We have audited the financial statements of the governmental activities of Lenox Township, Michigan as of and for the year ended June 30, 2008, and have issued our report thereon dated December 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Lenox Township, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. There were no significant deficiencies considered to be material weaknesses.

The following deficiencies in internal control are considered to be significant deficiencies:

**Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles.**

Management routinely prepares internal financial information to assess operations and the financial position of the Township on an ongoing basis. Although the internal financial information is useful to management, it is not presented in accordance with generally accepted accounting principles.

The Township contracts with us, the auditors, to prepare adjustments to convert the financial statements from a modified cash basis to the modified accrual or accrual basis, to record the information necessary for the GASB 34 adjustments, and to draft the financial statements, including all necessary notes, in accordance with generally accepted accounting principles. (During our audit we proposed various audit entries, some of which were significant to the financial statements.)

This is considered to be a control deficiency since errors could occur in the preparation of the financial statements that would result in material deviation from generally accepted accounting principles and the Township would not be in a position to detect them.

**The Utility Billing and Receipting Functions should be Reviewed.**

During the audit we noted that the same individual who is responsible for processing and adjusting the utility bills also has access to the payments on the accounts. Allowing one person to process bills and adjust bills creates the opportunity for discrepancies to occur.

While we understand the constraints of a small office, we would recommend that any adjustments to the utility bills, including waiving late fees, be approved by either two people or by someone independent of the billing/receipting functions.

We also noted that the outstanding balances of the utility bills were not reconciled to the general ledger for the last few months of the year, including the balance at year-end. The reconciliation of the balance on the utility system to the general ledger is a key control in detecting errors and possible fraud. While we were able to agree this report after proposing adjusting entries, we recommend the Township increase controls by reconciling this balance to the general ledger on a monthly basis.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lenox Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Lenox Township in a separate letter dated December 11, 2008.

This report is intended solely for the information and use of management, the Township Board, and others within the Township, and is not intended to be and should not be used by anyone other than these specified parties.

*Stewart, Beavronis & Whipple*  
Certified Public Accountants,

December 11, 2008

## AUDIT COMMUNICATION LETTER

December 11, 2008

To the Supervisor and Members  
of the Township Board  
Lenox Township  
Macomb County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lenox Township for the year ended June 30, 2008, and have issued our report thereon dated December 11, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Lenox Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

### **Planned Scope and Timing of Audit**

We performed the audit according to the planned scope and timing previously communicated to you.

### **Significant Accounting Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Lenox Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2008. We noted no transaction entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

#### *Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about

future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate for depreciation. Management estimates for this item is based on historical data and estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management (we also proposed and management corrected a number of significant entries):

- Reversal of prior year accounts payable
- Recording of receivable for state shared revenue
- Recording of prepaid expense for ambulance contract

#### *Assistance with GASB 34 Presentation*

As a result of our assistance with the GASB 34 presentation, we proposed several entries to the June 30, 2008 account balances to reflect the difference between the Governmental Fund and the Government-wide financial statements.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 11, 2008.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

In addition to the Report on Internal Control, we noted other items that, although are not considered significant deficiencies, could improve controls, the operational efficiency and/or compliance with laws and regulations. These items are discussed in Attachment A.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Township Board and management of Lenox Township and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Stewart, Beauvais & Whipple".

Stewart, Beauvais & Whipple

## **Attachment A**

The following is a list of items that are not considered significant deficiencies, however, are items that could improve controls, the operational efficiency of the accounting department and or compliance with laws and regulations:

### **The Township should consider modifying its investment policy.**

During 2006, GASB No. 40 became effective for all governmental units. The Statement requires that the governmental unit disclose additional information regarding the types of investments held, length of maturity, security's rating, any limitation on the amounts that can be invested with any one financial institution or type of investment, etc. In addition, it discusses four types of risk: custodial credit risk, interest rate risk, credit risk and concentration of credit risk. (See Note 3 to the annual financial statements.)

We recommend that the current Township investment policy be reviewed and modified to address each type of risk. During this process the Board should consider whether they want to limit the amount and/or percentage of cash and investment that can be invested with any financial institution since the Township is only insured for \$100,000 with each financial institution (\$250,000 as of October 3, 2008 for interest bearing accounts and unlimited for non-interest bearing accounts effective October 14, 2008).

### **The Township Board should consider regularly reviewing budget to actual reports.**

Although the Lenox Township board currently reviews the budget to actual reports a couple of times throughout the year, we recommend that a report showing budget to actual amounts be included in the information that is reviewed by the Township Board at least quarterly, possibly monthly, and budget amendments be proposed as necessary.

Review of budget to actual reports by a governing body increases the monitoring of revenues and expenditures for accuracy of classification and allows the governing body to make better-informed decisions about the financial state of the government. Also, as noted in the audited financial statements, some of the expenditures of the Township exceeded the amount appropriated. Michigan Public Act 621 of 1978 Sec. 18, as amended, provides that a Village shall adopt formal budgets for the General and Special Revenue Funds and shall not incur expenditures in excess of the amounts appropriated.

### **The Lenox Township Fire Association bank account activity should either be included in the general ledger of the Township or a separate nonprofit corporation established.**

Currently the Fire Department raises funds through fundraising and donations for the purchase of various supplies for the firemen and the Fire Department. This activity is currently not being reported through the Township, but is recorded in a bank account held by the Fire Association.

We recommend that the Fire Association consider either establishing a separate nonprofit organization or recording the transactions of the bank account through the Township office. If a separate nonprofit organization is established, then the activity of the account would be evaluated each year for inclusion as a component unit in the Township's financial report in accordance with GASB Statement No. 39.

### **The Township Board should consider adopting a formal collection procedure for past due accounts.**

During the audit, we noted several outstanding customer balances for engineering fees and other billings to customers and utility receivables that were past due. Not having a formal collection procedure can lead to inconsistency between collections on accounts and possible write-off of these receivables.

The Township should consider adopting a formal process for collection of these receivables that would establish how often past due notices should be sent, water should be shut off, and further collection procedures should be taken.

**The minutes of the Township Board should include either the check range or the dollar amount of the disbursements being approved.**

During the audit we noted that the Township Board reviews and approves all disbursements at each meeting by noting the approval of the orders and bills, but does not document the check sequence or the total dollar amount being approved, creating the possibility of a payment being made without the Township Board's approval. While we noted no such payment being made during the audit, we recommend to further enhance controls, the Board minutes reflect the beginning and ending check numbers or the total dollar amount being approved.

**The Township should consider allocating the expenditures for fringe benefits, i.e. retirement, hospitalization, social security, etc., in the general fund to the related departments.**

Currently the Township records all costs for employee hospitalization, social security, medicare, retirement, and other fringe benefits in one department in the general fund for all general fund employees. Recording all of these costs in a single department does not allow the Township to determine the total costs to operate a specific department.

Furthermore, GASB 34 requires these expenses to be spread to the respective functions, i.e. general government, public safety, recreation and cultural, for the financial statements.

We recommend the Township either begin to allocate these costs to each department in the general fund or prepare an allocation to each department at the end of the year for financial statement purposes.

#### **Allowable Expenditures.**

Also during our review of various invoices we noted one vendor who is charging the Township sales tax on purchases of material. It is our understanding that the Township should be exempt from sales tax. We recommend the Township provide documentation of exemption from sales tax to the vendor and carefully review invoices in the future for possible tax charges.

It is our understanding that in the past the Township has hosted a Christmas party for employees and their families. While we understand the Township's desire to show appreciation for the hard work of their employees, the Michigan Department of Treasury prohibits "contributions or appropriations, which are not specifically authorized by the Constitution or State statute..." with specific examples citing office refreshments, picnics, and gifts to officials or employees. We believe this would also include an employee Christmas party, and we recommend the Township discontinue this practice.

#### **Time cards should be signed by employees.**

While we were reviewing the payroll process, we noted that time cards are not signed by employees. Having employees sign their time cards protects the employees and the Township from issues arising from discrepancies between the hours paid and the hours recorded on the time card. We recommend employees sign their time cards prior to submission for payment.